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.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0^s	value rounded to 0 (zero) where a meaningful distinction exists between true zero and the value rounded
p	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the *Statistics Act*
E	use with caution
F	too unreliable to be published

Immigrants in self-employment

Feng Hou and Shunji Wang

Self-employment is an important source of employment and job creation in Canada. New entrepreneurs start businesses for a variety of reasons that tend to cluster around two poles. On the one hand, some are attracted or 'pulled' into self-employment to develop a business idea, gain more flexibility, or because their profession requires them to do so. On the other hand, others are 'pushed' into self-employment because paid job opportunities may be lacking. As a result of these differing motivations and available resources, some will set up and operate businesses that create jobs for themselves and others, while many others will concentrate on their own situation as sole proprietors.[1] The diversification of the self-employed population has been identified as a key feature of labour market developments in developed countries (Arum and Muller 2004).

Self-employment diversity is particularly relevant in the case of immigrants. Some immigrants are selected specifically for their entrepreneurial attributes—Canada's business immigration program seeks to attract investors, entrepreneurs and the self-employed as a means to support economic development. Other immigrants—especially those who arrived recently—may face barriers to finding and keeping jobs or may have jobs for which they are overqualified or receive low earnings, and thus may be pushed into self-employment. As a result, studying the factors that motivate self-employment is a key component of understanding the labour market integration of many Canadian immigrants.

That immigrants are more likely to be self-employed than non-immigrants has been documented in several studies (Frenette 2002 and Li 2001). In 2006, about 17% of immigrant working men age 20 to 64 were self-employed, compared with 12% of Canadian-born men (Hou et al. forthcoming). Such differences may arise if immigrant and Canadian-born workers have different demographic characteristics or are concentrated in industries and occupations that have higher rates of self-employment. On the other hand, they may also be related to different motivations to enter and remain in self-employment—a possibility that has not been well-examined in Canada (Li 2001 and Schuetze 2010).

This article thus has two major objectives. The first is to examine how self-employed immigrants differ from their Canadian-born counterparts across a number of personal and job characteristics. The second is to determine whether immigrants report different reasons for entering and staying in self-employment. The article begins with a look at the long-term and recent trends in immigrant and non-immigrant self-employment using the census and Labour Force Survey (LFS). It then examines the characteristics of the self-employed compared to paid employees among immigrants and non-immigrants. Finally, it uses the Survey of Self-Employment (SSE) to examine whether immigrants and non-immigrants express different reasons for entering, remaining in and exiting self-employment.

Long-term trends in self-employment

In Canada, the number of self-employed workers increased significantly in the 1980s and 1990s (Picot and Heisz 2000; Gauthier and Roy 1997; Kuhn and Schuetze 2001). The self-employment rate increased steadily from the mid-1970s to the late 1990s, dipped slightly in the early 2000s and stabilized in the late 2000s (LaRochelle-Côté 2010). The upward trend in self-employment has been linked to a variety of factors, including the aging of the labour force, technological

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changes and government policies (Lin et al. 1999). The aging of the labour force should contribute to the rise in self-employment because older workers are more likely to be self-employed (Kamhi and Leung 2005); the availability and affordability of technologies like personal computers and the Internet reduce the operating costs of small businesses; and some industries and occupations with higher rates of self-employment have increased their share in the economy (Gauthier and Roy 1997; Kamhi and Leung 2005; Statistics Canada 1997). Kuhn and Schuetze (2001) suggest that, from the 1980s to 1990s, the rise in self-employment among men is mostly attributable to declining opportunities in paid employment for men. For women, however, most of the rise in self-employment is associated with improved opportunities and attractiveness of self-employment to them.

In addition, past changes in government policies regarding marginal personal income taxes and programs assisting self-employment and small businesses have also been found to be related to the rise in self-employment (Lin et al. 1999 and Schuetze 2000). Finally, self-employment increased during periods of economic downturns and did not immediately decline afterwards, except in the most recent downturn (LaRochelle-Côté 2010).

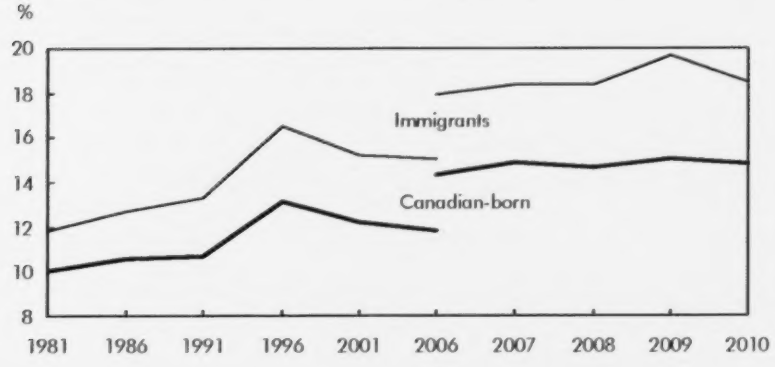
Both immigrants and the Canadian-born have contributed to the increase in self-employment since the early 1980s (Chart A). The long-term trends were estimated with census data from 1981 to 2006, and recent LFS trends from 2006 to 2010.[2] Due to conceptual differences, the LFS data produce higher self-employment rates than the census (see *Data sources and definitions*).[3] Self-employment grew faster among immigrants between 1981 and 1996, and, in the late 1990s and 2000s, self-employment rates fell slightly and subsequently stabilized for both groups.

Throughout the study period, immigrants were consistently more likely to be self-employed than non-immigrants. In 1981, about 12% of immigrants were self-employed, compared with 10% of the Canadian-born. By 1996, the self-employment rate had increased to 17% for immigrants and 13% for non-immigrants. By the late 2000s, about 19% of immigrant workers were self-employed, compared with 15% of the Canadian-born. The higher average age of immigrants accounted for about one-half of the difference in self-employment rates between immigrants and the Canadian-born.[4]

The difference between immigrants and non-immigrants also tended to be greater during periods of labour market slack. This suggests that immigrants are more likely than non-immigrants to seek self-employment during periods of economic stagnation. In 2009—during the recent labour market downturn—the gap in self-employment rates between immigrants and non-immigrants was 4.6 percentage points, compared with a gap of 3.8 percentage points in 2008. Between 2008 and 2009, the self-employment rate rose by 1.3 percentage points among immigrants and by 0.5 percentage points among the Canadian-born.

Immigrants who had been in Canada for more than 10 years had a higher self-employment rate than those who arrived during the past 10 years (Chart B). From 1981 to 2006, the difference in self-employment rates between these two groups was in the range of 5 to 6

Chart A Self-employment as a percentage of total employed individuals by immigration status



Sources: Statistics Canada, Census of Population, 1981 to 2006; Labour Force Survey, 2006 to 2010.

Data sources and definitions

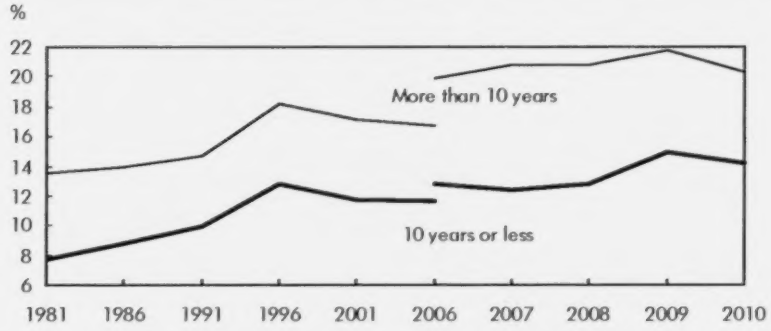
This study uses the 20% sample files of the 1981, 1986, 1991, 1996, 2001 and 2006 censuses, and the combined May and November files of the 2006 to 2010 Labour Force Survey (LFS) to calculate the share of the self-employed among all employed workers. The selected sample consists of individuals who were employed in the week prior to the census or in the LFS reference week. Institutional residents and persons living in the Northwest Territories, Yukon and Nunavut were excluded. Immigrants who arrived in the census or survey year and individuals whose immigration status were not identified in the LFS were also excluded.

In both data sources, self-employed workers are defined as employed individuals who work for themselves (including owners of incorporated or unincorporated businesses) or work without pay for family members. The self-employment rate estimated from the census tends to be lower than that from the LFS. In the census, self-employed workers who have no work during the reference week and do not report working any hours or being absent from work would be classified as "unemployed" or "not in the labour force." The same self-employed workers may be coded as "employed" in the LFS if they attributed their absence to not having any work during the reference week. Some persons who are considered paid workers in the census are considered self-employed persons in the LFS, including those who work at jobs like babysitting and cleaning for private households, and as newspaper carriers.

To examine the reasons for entering and staying in self-employment, this study used data from the Survey of Self-Employment (SSE), which was conducted by Statistics Canada for Human Resources Development Canada in 2000. The main objective of the survey was to provide a profile of self-employed workers in Canada. The survey content covered many aspects of self-employment, including reasons for entering self-employment, perceptions about self-employment, work arrangements, training, income insurance and other insurance coverage, and retirement preparation. The survey sample was restricted to those who were age 15 to 69 and self-employed in the main job. The final sample included 4,015 self-employed people. In the analysis, 30 observations whose immigration status was not stated were excluded. Among the remaining 3,985 respondents, 470 were immigrants.

percentage points. More recent data from the LFS suggest that this difference could be even larger (6 to 8 percentage points). About two-thirds of the difference in self-employment rates between recent and more established immigrants is due to the higher average age of established immigrants.[5]

Chart B Self-employment as a percentage of total employed immigrants by years in Canada, 1981 to 2010



Sources: Statistics Canada, Census of Population, 1981 to 2006; Labour Force Survey, 2006 to 2010.

Recent immigrants also tended to have lower self-employment rates than the Canadian-born.[6] Again, this was related to the fact that recent immigrants are younger on average. After controls were put in place for age differences, recent immigrants and the Canadian-born were found to have similar self-employment rates.

Characteristics of self-employed workers

Both immigrant and non-immigrant men were more likely to be self-employed than their female counterparts. The self-employed, whether immigrants or non-immigrants, also tended to be older, more likely to be married and have children at home than paid workers (Table 1).

Educational attainment also differed between paid and self-employed workers. Self-employed workers were more likely to have

Table 1 Sociodemographic characteristics of self-employed and paid workers

	Canadian-born		Immigrants	
	Paid workers	Self-employed	Paid workers	Self-employed
	%			
Sex				
Men	50.1	64.3	50.3	67.0
Women	49.9	35.7	49.7	33.0
Age				
Under 35	42.2	19.0	27.5	12.5
35 to 54	45.5	54.2	53.5	55.4
55 and over	12.2	26.9	19.0	32.2
Marital status				
Married	58.8	75.3	70.0	80.8
Other	41.2	24.7	30.0	19.2
Presence of children				
No children	63.1	56.0	53.1	50.4
0 to 12 years	17.6	19.0	20.8	19.3
13 to 24 years	19.3	25.0	26.1	30.3
Education				
Less than high school	12.7	14.1	10.2	9.8
High school	20.7	19.5	18.6	18.2
Some postsecondary	46.0	42.8	36.3	34.6
Postsecondary	20.6	23.6	35.0	37.5

Source: Statistics Canada, Labour Force Survey, 2006 to 2010.

a university degree than paid employees, regardless of whether they were immigrants. Immigrants who were both self-employed and in paid employment were much more likely to have a university degree, but much less likely to have non-university postsecondary education than their Canadian-born counterparts.

The distribution of self-employment by industry differed for immigrants and the Canadian-born. Although business and professional services was the most frequent industry for both groups, the Canadian-born self-employed were more concentrated in agriculture and other goods-producing industries, while immigrants were more concentrated in trade and transportation industries (Table 2). To some extent, these differences can be linked to the strong geographical concentration of immigrants in major metropolitan areas. Outside Canada's census metropolitan areas,[7] immigrants and non-immigrants had similar industrial distributions, however, in census metropolitan areas, about 55% of self-employed non-immigrants worked in business and professional service industries, compared with 45% of immigrants.

Differences were also noticeable across occupations. As might be expected from the industrial differences, self-employed immigrants were more concentrated in occupations related to management, sales and services, and trade and transportation than their Canadian-born counterparts. These differences became even larger after controls for geographical and educational differences were put in place. For instance, 72% of non-immigrants who had a university degree and resided in metropolitan areas worked in professional occupations, compared with 53% of immigrants. Conversely, about 25% of immigrants and 15% of non-immigrants worked in sales, services, trades and transportation occupations.

Self-employed immigrants and non-immigrants also shared some similarities. About two-thirds of self-employed immigrants and non-immigrants did not have employees. In terms of business structure, more than one-half of the self-employed were not incorporated, although that share was slightly higher among the Canadian-born. Self-employed immigrants and non-immigrants also worked a similar number of hours.

Reasons for entering self-employment

Do immigrants and the Canadian-born enter self-employment for different reasons? Are immigrants more likely to enter self-employment due to difficulties in the paid labour market? The 2000 Survey of Self-Employment can shed some light on these issues: in this survey, respondents were asked directly whether they became self-employed because they could not find suitable paid employment. Respondents also reported on their previous labour market activities—

Table 2 Selected attributes of self-employment by immigration status

	Canadian-born	Immigrants
	%	
Incorporated		
Yes	39.5	42.9
No	60.5	57.1
With employees		
Yes	32.7	32.9
No	67.3	67.1
Usual hours		
Less than 40 hours	37.8	34.7
40 to 56 hours	44.6	48.5
More than 56 hours	17.7	16.9
Industries		
Agriculture	9.3	3.0
Other goods-producing industries	20.1	16.8
Trade and transportation	14.8	22.5
Business and professional services	44.4	43.5
Other services	11.3	14.2
Occupation		
Management	18.0	23.6
Professionals	36.0	34.6
Sales and service	15.4	17.5
Trades and transportation	16.4	18.7
Other	14.2	5.7

Source: Statistics Canada, Labour Force Survey, 2006 to 2010.

making it possible to identify whether respondents entered self-employment after leaving another job, or following a stretch of unemployment.

In 2000, the majority of immigrants and non-immigrants who were self-employed had not entered self-employment because of labour market difficulties. However, immigrants (33%) were more likely than non-immigrants (20%) to report that they entered self-employment due to a lack of job opportunities in the paid labour market. Among immigrants, those who had been in Canada for 10 years or less were more likely (40%) than more established immigrants (31%) to report that they became self-employed because of labour market difficulties.

Previous labour market activities did not differ greatly between those who entered self-employment voluntarily and those who reported a lack of paid jobs (Chart C). Prior to becoming self-employed, more than one-half of the self-employed (at least 55% for each subgroup) were paid employees, and about one-third reported that they were both self-employed and paid employees—suggesting that some might have become self-employed by focusing on a business they already had, or by using another self-employment experience as a stepping stone. Very few (about 2% to 4%) had never worked prior to self-employment. Similar results were obtained for both immigrants and non-immigrants, except immigrants were more likely to report that they became self-employed immediately after ending a previous self-employed job. The preceding results were based on data collected in 2000 when the economy was expanding and the labour market was relatively tight—they may differ under other economic conditions.

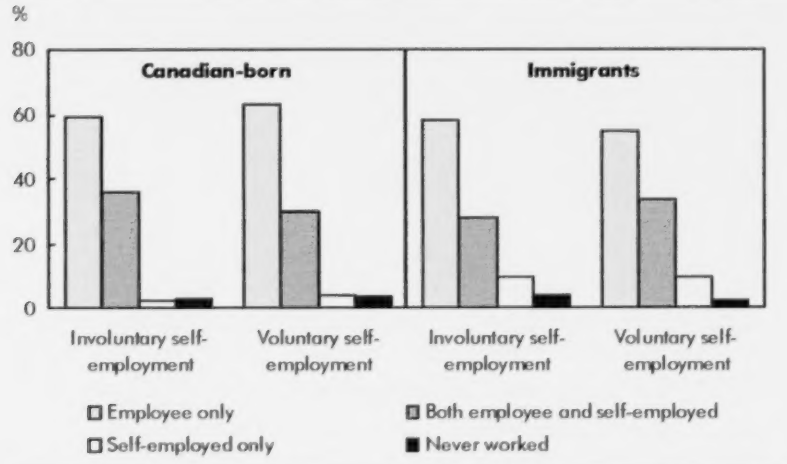
Even though most of the self-employed previously worked as paid employees, the involuntarily self-employed were more likely than the voluntarily self-employed to have lost a paid job prior to entering self-employment (Chart D). These differences were even larger among non-immigrants. Among immigrants, 39% of the involuntarily self-employed had lost their previous job, compared with only 16% of the voluntarily self-employed. The corresponding numbers were 56% and 23% for non-immigrants.

Among the voluntarily self-employed, immigrants and non-immigrants entered self-employment for different reasons. The 2000 Survey of Self-Employment asked the voluntarily self-employed to report why they became self-employed instead of working for an employer. The reasons identified can be grouped into four broad categories:

- entrepreneurial values, including independence, freedom, own boss; control, responsibility, decision making; challenge, creativity, success, satisfaction; and more money
- flexible work arrangements, including flexible hours; balance of work and family; and work from home
- pre-existing opportunities, including "had to be self-employed" because of the nature of the job; joined or took over family business; and other opportunities
- other reasons, including lower taxes, deductions; less stress; and other unspecified reasons (Delage 2002).

Immigrants who entered self-employment voluntarily were more likely to be motivated by entrepreneurial values (71%) than their Canadian-born peers (59%) (Chart E). In contrast, immigrants were less likely than non-immigrants to report that they had become self-

Chart C Previous labour market activites of involuntarily and voluntarily self-employed workers



Note: The difference in the distribution of previous labour market activities of involuntarily and voluntarily self-employed workers was statistically significant among the Canadian-born at $p<0.01$, but not significant among immigrants at $p=0.05$.
Source: Statistics Canada, Survey of Self-Employment, 2000.

to report "independence, freedom, own boss," "control, responsibility, decision making" and "challenge, creativity, success, satisfaction" as self-employment advantages. They were also less likely than the involuntary group to report "flexible hours," "lower taxes/deductions" and "less stress" as advantages.

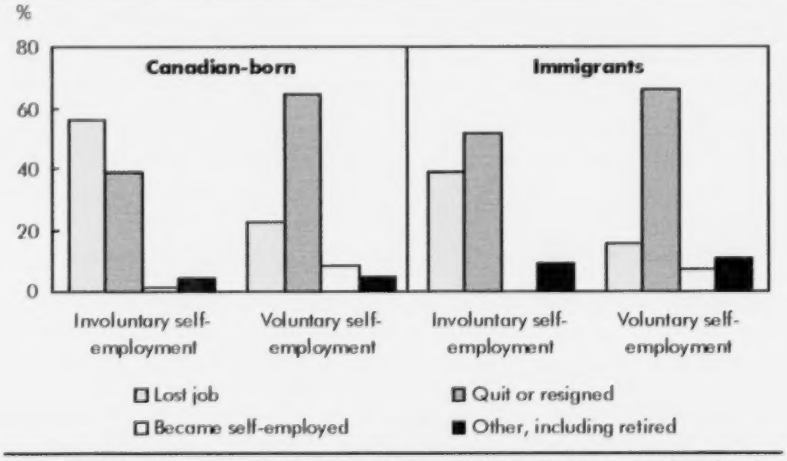
In general, the differences between the voluntary and involuntary groups were similar for the immigrant and non-immigrant populations. Involuntarily self-employed immigrants, however, were more likely than the Canadian-born to report flexibility as an advantage, while non-immigrants were more likely to report that they appreciated working from home.

Among the involuntarily self-employed, at least 40% of immigrants and non-immigrants employed because of flexible work arrangements (10% versus 16% for non-immigrants). Finally, almost one-fifth of non-immigrants entered self-employment because of pre-existing opportunities, whereas 11% of immigrants did so.

Advantages and disadvantages of self-employment

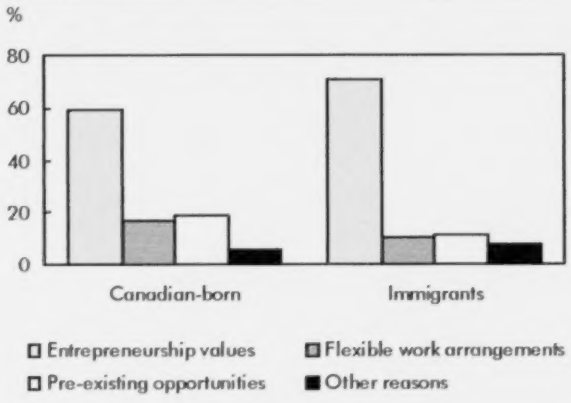
The Survey of Self-Employment also asked respondents to report what they believed were the advantages and disadvantages of being self-employed. As might be expected, those who became self-employed on a voluntary basis differed from the 'involuntary' self-employed group (Table 3). Those who voluntarily became self-employed were more likely

Chart D How previous paid employment ended



Note: Included only those whose work for employer ended when they became self-employed. The difference in the distribution of how previous paid employment ended between involuntarily and voluntarily self-employed workers was statistically significant among the Canadian-born and among immigrants at $p<0.001$.
Source: Statistics Canada, Survey of Self-Employment, 2000.

Chart E Main reasons for entering self-employment among the voluntarily self-employed



Note: Includes respondents who did not become self-employed for lack of suitable paid employment. The difference in the distribution of main reasons for entering self-employment between immigrants and the Canadian-born was statistically significant at $p<0.001$.
Source: Statistics Canada, Survey of Self-Employment, 2000.

Interestingly, the involuntarily self-employed Canadian-born were more likely than immigrants to mention "tax burden" (8% versus 3%) and "tasks related to running a business" (12% versus 6%) as disadvantages to being self-employed, while immigrants expressed more concerns about "lack of benefits" than the Canadian-born (31% versus 19%).

Preference for paid employment

In the 2000 Survey of Self-Employment, respondents were asked the following question: "If instead of self-employment, you could get a paid-job, at the going wage or salary rate for someone with your experience and education, would you accept it?" Overall, 29% of survey respondents answered "yes" to this question. Immigrants (35%) and, in particular, recent immigrants (41%) were more likely to prefer paid employment.

The difference between responses for immigrants and non-immigrants was mostly attributable to the fact that more immigrants entered self-employment involuntarily than the Canadian-born. After controls were put in place for differences in the voluntary nature of self-employment, it was found that the proportion of

reported that one disadvantage of being self-employed was the "uncertainty, insecurity, risk, lack of stability" that came with the job (Table 4). The "lack of benefits" and "fluctuations of income and cash flow problems" were also reported by a larger portion of the involuntarily self-employed, although the latter difference was significant only among the Canadian-born.

"Uncertainty, insecurity, risk and lack of stability" were also reported as issues by about 30% of those who were self-employed on a voluntary basis. However, the voluntarily self-employed—especially immigrants—were also more likely to report "long hours" as a problem. Less than 10% mentioned "tax burden," "interference in family life" and "working alone, isolation."

Table 3 Self-reported advantages of self-employment

	Canadian-born		Immigrants	
	Involuntary self-employment	Voluntary self-employment	Involuntary self-employment	Voluntary self-employment
What do you like about being self-employed?	% answering yes			
Flexible hours	42	33*	53	32*
Family and work–life balance	15	13	18	12
Work from home	18	11*	12	9
Independence, freedom, own boss	57	63*	54	64*
Control, responsibility, decision-making	23	29*	24	41*
Challenge, creativity, success, satisfaction	22	27*	26	32
More money, unlimited income	12	13	11	16
Lower taxes/deductions	9	4*	6	1*
Less stress	7	4*	8	3*

* significantly different between involuntarily and voluntarily self-employed workers at $p<0.05$
Source: Statistics Canada, Survey of Self-Employment, 2000.

Table 4 Self-reported disadvantages of self-employment

	Canadian-born		Immigrants	
	Involuntary self-employment	Voluntary self-employment	Involuntary self-employment	Voluntary self-employment
What do you dislike about being self-employed?	% answering yes			
Uncertainty, insecurity, risk, lack of stability	43	30*	48	29*
Income fluctuations, cash-flow problems	29	21*	26	23
Difficulties obtaining financing, with banks	11	7*	11	6*
Tax burden	8	9	3	7*
Low income	10	7	12	6*
Lack of benefits	19	15*	31	15*
Too much responsibility	7	7	9	12
Long hours, no time off	20	26*	19	31*
Interference in family life	4	5	4	7
Working alone, isolation	5	4	5	6
Tasks related to running a business	12	9	6	9
Stress	10	15*	14	15

* significantly different between involuntarily and voluntarily self-employed workers at $p<0.05$
Source: Statistics Canada, Survey of Self-Employment, 2000.

people answering "yes" to the above question was the same for immigrants and non-immigrants.

In order to determine which factors were associated with the probability of preferring paid employment, two logistic regressions were estimated for immigrants and non-immigrants.[8] The models include demographic variables, self-reported reasons for entering self-employment, self-employment advantages and disadvantages reported by survey respondents, and other self-employment characteristics.[9] Table 5 reports the predicted probabilities of preferring paid employment across several factors, based on the logistic regression estimates.[10]

The factors associated with the probability of preferring paid employment were similar for immigrants and non-immigrants. In both cases, the preference for paid employment was strongly related to the reasons for entering self-employment. More specifically, those who entered self-employment due to a lack of suitable paid employment had a much higher tendency to report that they would leave self-employment if given the opportunity. Using immigrants as an example, close to one-half (49%) of the involuntarily self-employed expressed a desire to leave self-employment, compared with 27% of those who entered self-employment on a voluntary basis. On the other hand, these results also suggest that about one-half of involuntarily self-employed immigrants expressed no preference for a paid job, and that one-quarter of voluntarily self-employed immigrants expressed a willingness to leave self-employment for a paid job. Similar results were found for the Canadian-born.

Those who valued the entrepreneurial aspects of self-employment were much less likely to state a preference for paid employment, especially among immigrants. Indeed, just one-third of self-employed immigrants who indicated entrepreneurial values in the survey reported that they would leave self-employment if they were offered a similar paid job, compared with 55% for other self-employed immigrants. The corresponding figures were 26% and 35% for the Canadian-born.

Similarly, individuals who noted that self-employment had the advantage of flexible hours were less likely to say that they would prefer a paid job. In contrast, instability was related to a higher preference for paid employment. The effects of these two factors tended to be stronger for immigrants than the Canadian-born.

For the Canadian-born, several other variables were also significantly associated with a higher preference for paid employment: dislike of self-employment due to low income or lack of benefits, unincorporated status, and having experienced financial difficulties. While those who reported that they disliked self-employment for the long working hours had a higher preference for paid employment, individuals who usually worked over 56 hours per week (i.e., at least

Table 5 Predicted percentage reporting possible exit from self-employment

	Canadian-born	Immigrants
	%	
Education		
With university degree	29*	34
Without university degree (ref.)	23	35
Geographic distribution		
Three largest census metropolitan areas	28	38
Other locations (ref.)	28	29
Reasons for entering self-employment		
Lack of suitable employment	45*	49*
Other reasons (ref.)	24	27
Like self-employment for entrepreneurship values		
Yes	26*	30*
No (ref.)	35	55
Like self-employment for flexiblity		
Yes	26*	30*
No (ref.)	31	40
Dislike self-employment for instability		
Yes	31*	44*
No (ref.)	25	26
Dislike self-employment for long working time		
Yes	31*	36
No (ref.)	27	34
Dislike self-employment for low income or lack of benefits		
Yes	33*	38
No (ref.)	26	33
Tenure (self-employment)		
4 years or less (ref.)	29	38
Over 4 years	28	32
Incorporated		
Yes	22*	30
No (ref.)	31	38
With employees		
Yes	27	32
No (ref.)	29	36
Multiple job holders		
Single job	28	34
Multiple job holders (ref.)	24	40
Weekly working hours		
Less than 40 hours	31*	35
40 to 56 hours	28	35
More than 56 hours (ref.)	24	34
Experienced financial difficulties		
Yes	35*	38
No (ref.)	23	32

* the difference from the reference group (ref.) is statistically significant at $p<0.05$

Note: The values in this table are estimated based on a logistic regression model for immigrants and the Canadian-born respectively. The model includes independent variables presented in the table, as well as sex, age, marital status, and age of children.

Source: Statistics Canada, Survey of Self-Employment, 2000.

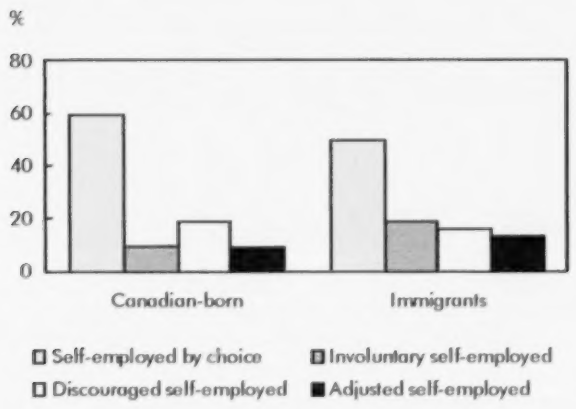
8 hours per day for 7 days or 11 hours per day for 5 days) had a lower preference for paid employment than those who usually worked less than 40 hours per week. There are two possible explanations for these seemingly contradictory results. First, disliking long working hours, which was reported not just by those who worked long hours, may reflect a preference for a regular work schedule often associated with paid employment. Indeed, even among those who usually worked less than 40 hours per week, about 15% reported disliking long working hours. In comparison, the majority (57%) of those who worked over 56 hours per week did not mind long working hours. Second, for some self-employed workers, working less than regular hours may be the result of weak demand for their business, thereby providing insufficient income.

Self-employed categories

As suggested in Delage (2002), the voluntary or involuntary nature of self-employment activities can be combined with information on whether survey respondents would leave self-employment for a suitable paid job to generate four categories of self-employed workers:

- "self-employed by choice" (voluntarily self-employed, would not accept a suitable paid job)
- "involuntary self-employed" (involuntarily self-employed, would accept a suitable paid job)
- "discouraged self-employed" (voluntarily self-employed, would accept a suitable paid job)
- "adjusted self-employed" (involuntarily self-employed, would not accept a suitable paid job).

Chart F Four types of self-employment



Note: The difference in the distribution between immigrants and the Canadian-born is statistically significant at $p<0.001$.
Source: Statistics Canada, Survey of Self-Employment, 2000.

Immigrants were less likely to be self-employed by choice than the Canadian-born (Chart F). Just under one-half of self-employed immigrants were in this category, compared with about 60% of the Canadian-born. Among immigrants, the other categories had similar shares: 18% were self-employed by necessity, 16% were in the discouraged category, and 13% were adjusted. Among the Canadian-born, close to one-fifth were in the discouraged category and about 1 in 10 were in each of the remaining two categories ("involuntary" and "adjusted").

However, the distributional differences between immigrants and non-immigrants across these four categories were due to the fact that more immigrants generally entered self-employment because of a lack of paid employment opportunities. As shown in the previous section, once entry status is taken into account, both immigrants and the Canadian-born are equally likely to report that they would pick a suitable paid job if given the opportunity. Hence, among those who are self-employed on a voluntary basis, a similar portion of immigrants and non-immigrants fell in the discouraged category. Also, similar shares of involuntarily self-employed immigrants and the Canadian-born would not prefer a similar paid job.

Summary

Self-employment is an important source of labour market opportunities for immigrants. By the end of the 2000s, about 19% of immigrant workers were self-employed, compared with 15% of their Canadian-born counterparts. Recent immigrants (those who had been in Canada for 10 years or less) were less likely to be self-employed than more established immigrants but had similar rates of self-employment to the Canadian-born after controls for age differences were put in place.

The various motivations for entering self-employment tend to group around two poles: those associated with the entrepreneurial opportunities of self-employment and those related to a lack of opportunity in paid jobs. Immigrants—especially recent immigrants—were more likely than the Canadian-born to report that they had entered self-employment because of a lack of suitable paid jobs. The majority of self-employed immigrants (67%) and non-immigrants (80%) were nonetheless attracted to various aspects of self-employment rather than pushed by labour market difficulties. Among these voluntarily self-employed workers, immigrants were more likely than non-immigrants to be motivated for reasons related to entrepreneurial values, including independence, freedom, being one's own boss; control, responsibility, decision making; and challenge, creativity, success and satisfaction.

The majority of both immigrant and Canadian-born self-employed workers would prefer to stay in self-employment even if a paid job at the market wage or salary rate were available for them. The share was lower for immigrants (65%) than the Canadian-born (73%). This difference was mostly attributable to the fact that more immigrants entered self-employment involuntarily than the Canadian-born. Within the immigrant population, voluntary self-employment, entrepreneurial values, flexible work time and fewer concerns about instability were all associated with a lower preference for paid employment. These factors were also associated with a lower preference for paid employment among the Canadian-born, although the relationships were not all significant.

Notes

1. See Bögenhold and Fachinger (2010) for a full discussion on the heterogeneity of self-employment.
2. The Labour Force Survey began collecting information on immigration status in 2006.
3. Despite the conceptual differences, the two data sources showed similar trends for all workers (i.e., not by immigrant status) for the period from 1981 to 2006 (see LaRochelle-Côté 2010).
4. Based on the 2006 to 2010 Labour Force Survey, the average age for employed immigrants was 43.7 years and 39.5 years for Canadian-born workers. In a simple regression model controlling for age and age squared, the difference in self-employment rates was reduced to 1.6 percentage points (significant at $p<0.001$) from an unadjusted difference of 3.9 percentage points.
5. Based on data from the pooled 2006 to 2010 Labour Force Survey, the average age was 46.6 years for established immigrant workers and 36.8 for recent immigrant workers. In a regression model controlling for age and age squared, the difference in self-employment rates between the two groups was reduced to 1.7 percentage points (significant at $p<0.001$) from an unadjusted difference of 7.3 percentage points.
6. Other studies show that the self-employment rate among immigrants increases with length of residence in Canada, with most of the increase occurring in the first 10 to 15 years after immigration (Hou et al. forthcoming and Schuetze 2010).
7. A census metropolitan area consists of one or more adjacent municipalities situated around a major urban core. It must have a total population of at least 100,000, of which 50,000 or more live in the urban core. There were 33 census metropolitan areas in the 2006 Census.
8. Because of the cross-sectional nature of the survey data, it was not possible to determine the causal relationship between the self-reported preference for paid employment and perceptions of self-employment advantages/disadvantages. Therefore the results should be interpreted as correlations at best.
9. To reduce the number of parameters to be estimated and possible collinearity among variables, the main items of self-reported advantages and disadvantages (Table 3 and Table 4) are combined into five factors: (1) Like self-employment for entrepreneurship values, including independence, freedom, own boss; control, responsibility, decision making; and challenge, creativity, success, satisfaction; (2) Like self-employment for flexibility, including flexible hours, balance of work and family; and work from home; (3) Dislike self-employment for instability, including uncertainty, insecurity, risk, lack of stability, and fluctuation of income cash-flow problems; (4) Dislike self-employment for long working time, including long hours, no time off, and interference in family life; (5) Dislike self-employment for low income, lack of benefits or tax burden.
10. These predicted probabilities are estimated by holding other variables at their respective means. For example, when all other variables are held at their means for the Canadian-born sample as a whole, the probability of preferring paid employment for Canadian-born self-employed workers with a university degree is 29%.

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